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COMPARISON OF HOUSE AND SENATE PROVISIONS OF H.R. 3919

I. COMPARATIVE DESCRIPTION OF PROVISIONS

A. CRUDE OIL WINDFALL PROFIT TAX

Item	Price Controls	House Bill	Senate Amendment	Conference Action
1. Tier one oil				
a. Definition:	Under pre-decontrol regulations, lower tier oil was production from a property which first began production before 1973. Under the decontrol regulations, lower tier oil is the average production on a property for the 6-month period ending March 31, 1979 (the base production control level, or BPCL), reduced by 1.5-percent per month in 1979 and 3-percent per month thereafter. Lower tier oil does not include oil produced from a marginal property.	Tier 1 oil is lower tier oil produced on a nonmarginal property below the quantity represented by a 1½-percent decline curve. The decline curve causes tier 1 to phase into tier 2 after June 1984.	Same as House bill.	
Front-end tertiary oil	Oil may be deregulated before 1981 to finance tertiary recovery projects.	Included in tier 2 of the tax.	Same as House bill. Oil deregulated after September 30, 1980 to finance tertiary projects using carbon dioxide or tertiary surfactants is exempt (floor amendment by Sens. Randolph and Percy adopted by voice vote).	
High water-cut oil	No special provision under price controls, but generally defined as production from a property with an average water-to-oil ratio of at least 9:1 for any 12-month period after 1977.	High water-cut oil is subject to the normal rules for tier 1 and tier 2 oil.	High water-cut oil is included in tier 2 of the tax.	
Cook Inlet oil	Oil produced in the Cook Inlet of Alaska is lower tier oil.	No provision.	Cook Inlet oil is included in tier 2 of the tax. (Floor amendment by Sens. Gravel and Stevens, adopted by a vote of 61–19.)	
BPCL election	Producers may elect to use a 1972 or 1975 BPCL for price control purposes rather than the updated (1978–1979) BPCL.	The updated 1978–1979 BPCL must be used for tax purposes regardless of which BPCL is used for pricing purposes.	Producers use, for tax purposes, whatever BPCL is used for pricing purposes. No oil would be taxed in tier 1 unless it would have been lower tier oil had price controls continued (floor amendment by Sen. Wallop adopted by voice vote).	
Cumulative deficiencies	Amounts by which post-June 1979 production falls below the adjusted BPCL must be eliminated before production in excess of the adjusted BPCL may be released to the upper tier.	Same as for pricing purposes, except that it involves shortfalls in production below the 1½-percent tax decline curve, not the 3-percent pricing decline curve.	Cumulative deficiencies are taken into account only if they result from an attempt to avoid the tax.	
b. Tax rate		60 percent with a deduction for severance taxes on the windfall profit. (Floor amendment by Rep. James Jones, adopted by a vote of 236–183, reduced the rate from 70 percent.)	75 percent with a deduction for severance taxes on the windfall profit.	

A. CRUDE OIL WINDFALL PROFIT TAX—Continued

Item	Price Controls	House Bill	Senate Amendment	Conference Action
c. Base price	The May 1979 lower tier ceiling prices averaged approximately $5.91 a barrel.	May 1979 ceiling price with an inflation adjustment.	Same as House bill.	
2. Tier two oil				
a. Definition	Upper tier oil is all production from a property that began production after 1972 and production from a pre-1973 property in excess of its adjusted BPCL. It includes oil from marginal properties and from the Sadlerochit reservoir on the Alaskan North Slope.	(1) Oil produced on a property above the quantity represented by a 1½-percent decline curve (including all oil on properties beginning production between 1972 and 1979); (2) oil from marginal properties (floor amendment by Rep. Jones); (3) oil deregulated by DOE as "front-end financing" for tertiary recovery projects.	Same as the House bill, except that tier 2 also includes (1) high water-cut oil, (2) oil from Cook Inlet in Alaska (floor amendment by Sens. Gravel and Stevens, adopted by a vote of 61–19), (3) oil produced from the Sadlerochit reservoir on the Alaskan North Slope, and (4) oil produced from "deep marginal" properties (floor amendment by Sen. Heflin adopted by voice vote). Oil deregulated after September 30, 1980 to finance tertiary projects using carbon dioxide or tertiary surfactants is exempt (floor amendment by Sens. Randolph and Percy adopted by voice vote).	
	Upper tier oil is scheduled to be phased out at a monthly rate of 4.6 percent starting in January 1980 and ending after September 1981.	Tier 2 merges with tier 3 after 1990.	Tier 2 does not merge with tier 3.	
b. Tax rate		60 percent with a deduction for severance taxes on the windfall profit amount (floor amendment by Rep. Jones, reduced the rate from 70 percent).	75 percent with a deduction for severance taxes on the windfall profit amount. (Floor amendment by Sen. Bradley, adopted by a vote of 58–35, raised the rate from 60 percent.)	
c. Adjusted base price	The May 1979 upper tier ceiling prices averaged $13.02 a barrel.	May 1979 ceiling price with an adjustment for inflation. Between 1986 and the end of 1990, the base price phases up to the tier 3 base price (which averages $3 more).	May 1979 ceiling price with an adjustment for inflation. After 1980, the ceiling price is reduced by $0.25. (Floor amendment by Robert C. Byrd, adopted by a vote of 52–38).	
3. Tier three oil				
a. Stripper oil:	Stripper oil was deregulated in 1976.			
Definition	Production from properties where average per well production has been 10 barrels a day or less for any continuous 12-month period beginning after 1972.	Same as price controls.	Same as price controls.	
Tax rate		60 percent with a deduction for severance taxes on the windfall profit (floor amendment by Rep. Jones, reduced the rate from 70 percent).	Same as House bill.	
Base price		$16, adjusted for inflation occurring after the second quarter of 1979. Adjustments also for quality and location differentials.	$15.30, adjusted for inflation occurring after the fourth quarter of 1978. (This is equal to the $16 base price in the House bill because the inflation adjustment begins earlier.)	

A. CRUDE OIL WINDFALL PROFIT TAX—Continued

Item	Price Controls	House Bill	Senate Amendment	Conference Action
b. Naval Petroleum Reserve production:	Exempt from price controls.			
Definition	Production from the Naval Petroleum Reserve.	Same as price controls.	Same as price controls.	
Tax rate		60 percent (floor amendment by Rep. Jones).	Oil from the Naval Petroleum Reserve and Federal royalty oil is exempt (floor amendment by Sen. Long adopted by voice vote).	
Base price		$16, adjusted for inflation after the second quarter of 1979.		
4. North Slope Alaskan oil				
a. Definition	For price control purposes, oil produced from the Sadlerochit reservoir on the Alaskan North Slope is upper tier oil.	Oil produced from the Sadlerochit reservoir in Alaska. All other North Slope oil is exempt.	Same as House bill.	
b. Tax rate		50 percent with no severance tax adjustment.	75 percent with a deduction for severance taxes on the windfall profit. (Floor amendment by Sen. Bradley, adopted by a vote of 58–35, raised the rate from 60 percent.)	
c. Base price	The May 1979 upper tier ceiling price was $12.91 a barrel; the wellhead price for Sadlerochit oil was well below the ceiling price until recently.	$7.50 adjusted for inflation.	12.91 for 1980, and $12.66 thereafter, adjusted for inflation. (Floor amendment by Sen. Robert C. Byrd, adopted by a vote of 52–38.)	
d. Pipeline adjustment	The tariff for the Alaskan pipeline is now an average of $6.18 per barrel, but may be reduced in regulatory proceedings.	Base price is adjusted upward by difference between pipeline tariff and $6.26, adjusted for inflation.	Same as House bill except no inflation adjustment to the $6.26 amount.	
5. Newly discovered oil				
a. Definition	Newly discovered oil was deregulated in June 1979. For price control purposes, newly discovered oil is production from (1) an outer continental shelf area for which the lease was entered into on or after January 1, 1979, and for which there was no production in calendar year 1978, or (2) an onshore property from which there was no production in calendar year 1978.	Same as price controls except excludes oil produced on a property which produced between 1969 and the end of 1977 and "behind the pipe" oil.	Same as price controls.	
b. Tax rate		50 percent of first $9 of windfall profit, 60 percent on windfall profit above $9. Severance tax adjustment only for windfall profit taxed at a 60-percent rate.	10 percent with a deduction for severance taxes. (Floor amendment by Sen. Robert C. Byrd, adopted by a vote of 52–38.)	

A. CRUDE OIL WINDFALL PROFIT TAX—Continued

Item	Price Controls	House Bill	Senate Amendment	Conference Action
5. Newly discovered oil (cont.)				
c. Base price		$17 adjusted for inflation after June 1979, plus a 2-percent "kicker." The $9 amount also is adjusted for inflation plus 2 percent.	19.30 adjusted for inflation after December 1978 plus a 2-percent "kicker."	
d. Termination		Tax terminates after December 31, 1990.	No provision.	
6. Heavy oil	Executive Order No. 12153 deregulated heavy crude oil.		Heavy oil is oil exempt from price controls under Executive Order No. 12153 or oil from a property with a weighted average gravity of 16 degrees or less for the taxable period.	
a. Definition	Crude oil produced from a property which had a weighted average of 16.0° API or less for the last month prior to July 1979 in which crude oil was produced and sold from the property.			
b. Tax rate		No provision directly covering this heavy crude oil. However, much of this oil would be classified as incremental tertiary oil under the House bill.	20 percent with a deduction for severance taxes on the windfall profit. (Floor amendment by Sen. Robert C. Byrd, adopted by a vote of 52–38.)	
c. Base price			$16.30, adjusted for inflation plus a 2-percent "kicker" and for differences in quality and location.	
7. Incremental tertiary oil				
a. General definition	Incremental teriary oil is exempt from price controls. Oil produced from a property on which a qualifying tertiary method is used, in excess of the property's estimated production in the absence of tertiary recovery.	Oil produced from a property on which a qualifying tertiary recovery method is used in excess of the amount represented by a statutory decline curve.	Same as House bill.	
b. Decline rate	Depends upon the particular property, on a case-by-case basis.	Initially 1-percent a month, but accelerates to 2½ percent when the tertiary process can be expected to affect the reservoir.	The sum of (1) the greater of (i) 1 percent or (ii) the actual decline rate, for months prior to the start of tertiary injection, and (2) 2½ percent for months thereafter.	
c. Project qualification	Projects must: (1) Use a tertiary recovery method; (2) be determined to be uneconomic at the otherwise applicable ceiling price; (3) have a certification of the expected incremental production; and (4) comply with DOE procedures.	Projects generally must: (1) Use a tertiary recovery method; (2) apply the tertiary method in accordance with sound engineering principles; (3) have a reasonable possibility of increasing ultimate production; (4) not be expected to be economic without preferential tax treatment; and (5) comply with Treasury regulations for returns, certifications, etc.	Same as House bill except that no. 4 is not required.	

A. CRUDE OIL WINDFALL PROFIT TAX—Continued

Item	Price Controls	House Bill	Senate Amendment	Conference Action
7. Incremental tertiary oil (cont.)				
d. Project certification				
Self-certifications	Projects involving (1) miscible fluid displacement, (2) unconventional steam drive injection, (3) micro-emulsion flooding, and (4) in situ combustion may be self-certified by the operator.	Projects may be certified by the operator and a petroleum engineer as satisfying the requirements for qualification.	Same as House bill.	
Regulatory certifications: DOE certifications	Projects involving tertiary methods other than those eligible for self-certification must be approved by DOE.	Projects approved by DOE qualify.	Same as House bill.	
Other regulatory certifications	No provision.	No provision.	Projects may be certified by State regulatory bodies or by the U.S. Geological Survey.	
e. Certification revocation	Qualification may be lost for discontinuing the project, for improper certification, or for any other specified reason.	Qualification may be lost for discontinuing the project, or for improper certification.	Same as House bill for self-certified projects. A regulatory certification remains effective unless (1) a material fact was misrepresented in obtaining certification, or (2) the project was not implemented and operated in a proper manner. A revocation for the latter reason would not be effective prior to the date of the improper operation or implementation.	
f. Continuing qualification	Qualification continues only so long as the certification is in effect.	Qualification continues only so long as the tertiary project is in effect and it otherwise meets the tax's prerequisites.	Same as House bill for self-certified projects. Regulatory certified projects may retain their qualification (but not the 2½ percent decline curve) after the termination of a process if: (1) the project was implemented and operated in accordance with sound engineering principles and with its approved plan; (2) the regulatory certification has not been revoked; and (3) a petroleum engineer and the regulatory body certifies the discontinued process as being ineffective or counterproductive.	

A. CRUDE OIL WINDFALL PROFIT TAX—Continued

Item	Price Controls	House Bill	Senate Amendment	Conference Action
7. Incremental tertiary oil (cont.)				
g. IRS examinations		No provision.	Regulatory certified projects may apply for an advance determination of their tax qualification.	
h. Advance IRS determinations		Producers must establish qualification.	Same as House bill for self-certified projects. Regulatory certified projects are subject to a "substantial evidence" rule, i.e., qualification would be sustained unless the IRS (1) established that the certification was not supported by substantial evidence, or (2) presented substantial evidence that the project did not qualify.	
i. Qualifying methods	(1) Miscible fluid displacement; (2) Steam drive injection; (3) Microemulsion; (4) In situ combustion; (5) Polymer augmented water flooding; (6) Cyclic steam injection; (7) Alkaline flooding; (8) Carbon dioxide augmented water flooding; (9) Immiscible carbon dioxide displacement, and (10) Specific approved variations of (1)–(9).	Same as (1)–(9) for price controls, and any other method approved by the Secretary.	Same as House bill.	
j. Tax rate		50 percent on the first $9 of windfall profit, 60 percent on windfall profit above $9 (floor amendment by Rep. Jones). Severance tax adjustment only for windfall profit taxed at a 60-percent rate.	20 percent with a deduction for severance taxes on the windfall profit. (Floor amendment by Sen. Robert C. Byrd, adopted by a vote of 52–38.)	
k. Base price		$17 adjusted for inflation after June 1979 plus a 2-percent "kicker." The $9 amount also is adjusted for inflation plus 2 percent (floor amendment by Rep. Jones).	$16.30, adjusted for inflation after December 1978, plus a 2-percent "kicker."	
l. Termination		Tax terminates after December 31, 1990 (floor amendment by Rep. Jones).	No provision.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
8. Severance tax deduction	Under the income tax, severance taxes may be deducted as business expenses by the producer or royalty owner on whose oil the tax is imposed.			
a. Severance taxes in effect on March 31, 1979		Severance taxes imposed on the windfall profit element of the selling price may be deducted in computing the windfall profit tax, except when the windfall profit tax rate is 50 percent.	Severance taxes imposed on the windfall profit element of the selling price may be deducted in computing the windfall profit tax.	
b. Severance taxes imposed or increased after March 31, 1979		No severance tax deduction is allowed.	Severance tax deduction allowed if increase in tax applies equally to the entire price of the barrel of oil.	
c. Indian tribal severance taxes	Under the income tax, tribal severance taxes may be deducted as business expenses by the producer or royalty owner on whose oil the tax is imposed. Treated like State severance taxes under the Natural Gas Policy Act.	No provision.	Severance taxes properly imposed by recognized Indian tribes treated like State severance taxes.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
9. Independent producers				
a. Definition	For percentage depletion purposes, independent producers and royalty owners are all taxpayers who are not retailers with annual sales of more than $5 million or refiners with daily runs over 50,000 barrels.	No provision.	Independent producers are those defined as eligible for percentage depletion on oil and gas income. Royalty owners eligible for percentage depletion are treated as independent producers for windfall profit tax purposes only to the extent the working interest in their property is owned by independent producers.	
b. Depletion	In 1980, percentage depletion is allowed at a 22-percent rate on up to 1,000 barrels per day of oil and gas production. This rate is scheduled to phase down to a permanent 15-percent by 1984.	In determining percentage depletion, gross income on taxable crude oil is reduced by the difference between the selling price of the oil and its adjusted base price.	No provision.	
	Percentage depletion is limited to 50-percent of taxable income on each property and 65-percent of each taxpayer's taxable income.	In determining the 50- and 65-percent limits, taxable income is increased by the windfall profit tax.	No provision.	
c. Windfall profit tax exemption		No provision.	Exempts independent producers and royalty owners from windfall profit tax on first 1,000 barrels a day of otherwise taxable oil production after September 30, 1980. (Floor amendment by Senator Bentsen, adopted by vote of 53–42.)	
Members of Congress	No provision.	No provision.	Members of the 96th Congress and their families are not eligible for 1,000 barrel a day exemption.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
10. Oil owned by State and local governments	State and local government oil production has been subject to price controls. This oil production generally is not subject to Federal income tax.			
a. Definition of State and local government		State, political subdivision, or an educational institution that is an agency or instrumentality of a State or political subdivision.	State, political subdivisions or any agency or instrumentality of a State or political subdivision.	
b. Exemption from tax		Oil production of a State or local government is exempt if all of the net proceeds are dedicated to public education or a permanent fund for public education.	Oil production of a State or local government is exempt if all of the net proceeds are dedicated to any public purpose.	
11. Exemptions for particular kinds of taxpayers				
a. Federally recognized Indian tribes	Recognized Indian tribes and restricted Indians are not subject to income tax on income from restricted lands and mineral interests. Alaskan Native Regional Corporations are subject to income tax.	No provision. Under various court decisions and IRS rulings it is unclear whether House bill would have taxed Indian oil production.	Exempts from tax: (1) oil from Tribal Trust Lands, (2) oil from restricted lands, (3) oil paid into native or tribal trust funds, and (4) oil produced by Alaskan Native Regional Corporations (floor amendment by Sen. Gravel adopted by voice vote).	
b. Medical facilities and educational facilities	Income of charitable medical facilities and educational institutions may be exempted from income tax under section 501(c)(3).	No provision other than that for public schools in Item 10 above.	Oil production of (1) charitable educational institutions, (2) charitable medical facilities, and (3) churches that have dedicated the proceeds to (1) or (2) is exempt from the tax if owned by the entity on October 24, 1979, or received as a bequest after that date.	
12. Net income limitation	Under DOE Exceptions Relief, the ceiling price can be modified temporarily in instances of high-cost production.	The taxable windfall profit is limited to 100 percent of the net income attributable to taxable oil. In calculating net income, cost depletion on the acquisition cost of proven properties is not taken into account.	Same as House bill, except that a 90-percent limit is used. The cost basis of prior owner may be taken into account after the transfer of a proven property. (Floor amendment by Senator Wallop, adopted by voice vote.)	
13. Production payments		In the case of a dollar production payment, the tax is imposed on the owner of the interest from which the production payment was created, not the owner of the economic interest in the oil.	No special provision. Normal rules apply to tax the owner of the economic interest.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
14. Administrative provisions				
a. Tax collection, deposits and returns	Tax deposit requirements generally are specified by Treasury regulations, but return requirements usually are established statutorily.	Generally, matters relating to tax and information returns, tax deposits, and information exchanges are to be determined by Treasury regulations.	Same as House bill, except: (1) the operator and first purchaser may elect to have the operator make the tax deposits and file the quarterly returns; (2) integrated oil companies that are not independent refiners must make estimated semi-monthly tax deposits; (3) independent refiners who purchase oil under delayed payment contracts must make tax deposits within 60 days after the end of the month of purchase; (4) other taxpayers, who are not integrated oil companies must make tax deposits within 30 days after the end of the month of purchase; and (5) information exchanges specifically required by the House bill are not included.	
b. Tax overpayments	Excess tax payments may be credited on income tax returns or, under Treasury regulations, may offset estimated income tax payments.	Except for some clarifications needed for windfall profit tax purposes, generally the same as present law.	Same as House bill.	
Tentative refunds	Tentative refunds generally are not available.	No provision.	Tax overpayments in excess of $1000 that are attributable to the net income limitation or to a tax exemption are refundable annually on an expedited basis.	
Interest	No interest is due on income tax refunds made within 45 days of the date for filing the return. No interest is due with respect to refunds of other taxes made within 30 days of the date of the tax overpayment.	No specific provision.	No interest is due on tax refunds made within 45 days of the date for filing the return.	
c. Administrative enforcement	Adjustments may be made by the Treasury as to the tax consequences of transactions between certain related parties.	No provision.	Adjustments may be made by the Treasury to ensure that transactions reflect the fair market value of the oil.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
14. Administrative provisions—(cont.)				
d. Statute of limitations				
"Deemed" deposits	Generally, the statute of limitations begins to run from the later of the time the return was filed or the taxes were paid.	No provision.	Provides that the statute of limitations begins to run, as to the producer, when the tax is deposited and the return is filed.	
Reclassifications	Generally, the statute of limitations begins to run from the later of the time the return was filed or the taxes were paid.	No provision.	Provides that a tax refund may be claimed, or a tax deficiency assessed, within 1 year of a reclassification of the oil or the property for price control purposes.	
15. Tax enforcement	Present law contains various civil and criminal penalties for failure to file or furnish required tax or information returns, or statements, for failure to collect, pay over, or pay taxes (in whole or in part), for attempting to evade tax, and for making false or fraudulent statements.	In addition to the civil and criminal penalties of present law, willful failure to comply with the tax is a misdemeanor punishable by a fine of up to $10,000 and up to 1 year imprisonment.	Same as House bill.	
16. Property transfers	Property transfers cannot be made to obtain a higher ceiling price.	New properties created by post-1978 transfers are not given preferential tax treatment if the property would not have qualified prior to the transfer. This rule applies to: (1) newly discovered oil and (2) stripper oil.	Same as House bill, except that the rule also applies to: (1) marginal oil, (2) heavy oil, and (3) high water-cut oil.	
17. Tax Court jurisdiction	Actions for tax refunds must be commenced in the U.S. district courts or the Court of Claims; prepayment litigation must commence in the U.S. Tax Court, which generally does not have excise tax jurisdiction. Except in the unusual case of divisible taxes, the entire amount of any tax deficiency must be paid prior to litigation in the U.S. district courts or the Court of Claims. The Temporary Emergency Court of Appeals has exclusive appellate jurisdiction over appeals involving price controls.	No provision.	The U.S. Tax Court has exclusive trial court jurisdiction over all civil controversies, including refunds and equitable remedies, relating to the tax. Existing appellate procedures continue to apply. Three judges are added to the Court.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
18. Termination of tax		The tax on newly discovered oil and incremental tertiary oil terminates after 1990. The tax on all other oil is permanent.	The entire tax begins to phase out after the net revenues received by the Treasury equal $189 billion by exempting 3 percent of taxable production each month. (Floor amendment by Sen. Moynihan, adopted by a vote of 68–26, raised the phaseout level from $127 million to $189 million.) The President must give Congress 30 days notice of any change in the decontrol order which reduces the phase out of price controls or which imposes price controls at a level equal to or lower than the price at that time. (Floor amendment by Sen. Bumpers, adopted by vote of 44–40.)	
19. Study of decontrol and tax		By January 1983, the President must submit a report to Congress on the effect of decontrol and the windfall profit tax on: (1) domestic oil production; (2) oil imports; (3) oil company profits; (4) inflation; (5) employment; (6) economic growth; (7) Federal revenues; and (8) national security. The report is to be accompanied by energy-related legislative recommendations.	Same as House bill.	
Revenue effect		***Revenue effect.***—Calendar year tax liabilities increased by: *Millions* 1980 ---------- $7,986 1981 ---------- 16,202 1982 ---------- 20,673 1983 ---------- 22,163 1984 ---------- 23,868 1985 ---------- 26,093 1986 ---------- 27,941 1987 ---------- 29,740 1988 ---------- 31,654 1989 ---------- 33,994 1990 ---------- 36,449 1979–90 [1] ---------- 276,821	***Revenue effect.***—Calendar year tax liabilities increased by: *Millions* 1980 ---------- $6,312 1981 ---------- 13,343 1982 ---------- 17,070 1983 ---------- 17,430 1984 ---------- 17,608 1985 ---------- 17,706 1986 ---------- 17,554 1987 ---------- 17,626 1988 ---------- 17,482 1989 ---------- 17,700 1990 ---------- 17,984 1979–90 [1] ---------- 177,827	

[1] The House and Senate bills would miss a small amount of income tax revenue in 1979, because the estimates assume that the tax reduces intangible drilling deductions in that year; the 1979 amount is included in the 1979–1990 total.

B. RESIDENTIAL ENERGY TAX CREDITS

Item	Present Law	House Bill	Senate Amendment	Conference Action
20. General provisions relating to residential energy credits				
a. Repeal principal residence requirement	Installations of residential energy credit property must be made on a taxpayer's principal residence.	No provision.	Repeals principal residence requirement, i.e., makes credit available for installations in second homes and vacation homes, subject to the same limits for each dwelling unit that apply to the insulation credit and to the renewable energy source credit. ***Effective date.***—The amendment applies to installations made after September 30, 1979. ***Revenue effect.***—Calendar year tax liabilities would decrease by $8 million in 1980, $8 million in 1981, $13 million in 1985, and $60 million in the period 1980–85. In fiscal year 1980, the loss would be $3 million.	
b. Allow credit to landlords and joint ownership	Landlords are not allowed to claim the residential energy credits. It is not clear that joint owners of residential energy property who live in separate and separately owned dwelling units are eligible for the residential energy credits. Present law specifically extends the credits to joint ownership in the cases of a shared dwelling unit, tenant-shareholders in a cooperative and owner-members of a condominum management association. Credits are available on the taxpayer's share of the expenditures.	**No provision.**	The credits would be available to a landlord for the expenditures with respect to each dwelling unit. The term landlords includes corporate taxpayers. Rates of credit for landlords would be 10 percent on conservation property and 40 percent on renewable source property. The credit for joint owners would be extended on a proportionate basis to all cases in which 2 or more taxpayers make expenditures for creditable residential energy property that would be used in connection with their residences. ***Effective date.***—The amendment applies to installations made after September 30, 1979. ***Revenue effect.***—Calendar year tax liabilities would decrease by $90 million in 1980 (including credits claimed for 1979), $82 million in 1981, $144 million in 1985, and $637 million in the period 1980–85. In fiscal year 1980, the revenue loss would be $29 million.	
c. Discretionary authority of the Secretary	The Secretary was given discretionary authority to add items that increase the energy efficiency of a dwelling to the list of energy conservation items.	No provision.	Deletes the discretionary authority of the Secretary. Under a floor amendment by Senator Cranston (adopted by a voice vote), a new provision is added to the bill to restore the Secretary's discretionary authority to specify additional items of qualifying property. ***Effective date.***—Date of enactment.	

B. RESIDENTIAL ENERGY TAX CREDITS

Item	Present Law	House Bill	Senate Amendment	Conference Action
21. Energy conservation expenditures	The energy conservation credit is 15 percent of $2,000 of expenditures ($300 maximum credit) for eligible items made through December 31, 1985. Eligible items include (1) insulation, caulking and weatherstripping, (2) a replacement furnace burner, (3) a flue opening modifier, (4) an electric or mechanical furnace ignition system, (5) an automatic setback thermostat, or (6) an energy usage display meter. Energy conserving items that are eligible for the energy conservation credit include a replacement burner for a furnace. Replacement stoves, furnaces and boilers are not eligible for the credit.	No provision.	Additional items eligible for the energy conservation credit would be: (a) a heat pump (air or water source) which replaces an electric resistance space or water heating system or is for use as backup for a solar hot water heater; (b) a replacement oil or gas furnace or boiler which meets specified average fuel utilization efficiency requirements—80 percent for an oil furnace and 75 percent for a gas furnace; (c) an airtight wood-burning stove, only for expenditures through December 31, 1982; (d) a replacement coal furnace or boiler in a central heating system, only for expenditures through December 31, 1982, at a 25-percent credit rate; (e) a replacement woodburning furnace or boiler which is part of a central heating system, if the unit is approved as safe by a recognized testing laboratory and has been determined to be energy efficient (floor amendment by Senator Durkin, adopted by voice vote); and (f) a lightweight, self-contained, low density radiant heating panel suitable for retrofit residential zone control installation (floor amendment by Senator Mathias, adopted by voice vote). (See also business credits, Item No. 29.) *Effective date.*—The amendments for a heat pump, a replacement oil or gas furnace or boiler, and a heating panel would apply with respect to expenditures made after September 30, 1979; for airtight wood stoves, the effective date is July 16, 1979, and after September 30, 1980, for central heating wood furnaces. *Revenue effect.—* (a) *Heat pumps:* Calendar year tax liabilities would decrease by $39 million in 1980 (including credits claimed for 1979), $37 million in 1981, $123 million in 1985 and $404 million for the period 1980–85; the revenue loss in fiscal year 1980 would be $11 million.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
21. Energy conservation expenditures (Cont.)			(b) *Replacement oil or gas furnace or boiler:* Calendar year tax liabilities would decrease by $145 million in 1980 (including credits claimed for 1979), $186 million in 1981, and $402 million in 1985, and $1,561 million in the period 1980–85; fiscal year budget receipts would fall by $30 million in 1980 and $143 million in 1981. (c) *Airtight woodburning stoves:* Calendar year tax liabilities would decline by $79 million in 1980, $53 million in 1981 and $57 million in 1982, and $180 million throughout those years. Fiscal year budget receipts would decline by $31 million in 1980. (d) *Replacement coal furnace or boiler for central heating:* Calendar year tax liabilities would decline by $39 million in 1980, $42 million in 1981 and $52 million in 1982, and $133 million through the period 1980–82. Fiscal year budget receipts would fall by $12 million in 1980. (e) *Replacement woodburning furnaces:* Calendar year tax liabilities would decrease by $15 million in 1980 (including credits claimed for 1979), and $10 million each in 1981 and 1982, for a total of $35 million; fiscal year 1980 budget receipts would decrease by $7 million. (f) *Radiant heating panels:* Calendar year tax liabilities would be reduced by $1 million in 1980, $2 million in 1981 and $6 million in 1985. The revenue loss from this provision through 1985 would be $20 million. Fiscal year budget receipts would decline negligibly in 1980 and $1 million in 1981.	
22. Credit for renewable energy source expenditures	For renewable energy source expenditures, a credit is allowed at a rate of 30 percent on the first $2,000 and 20 percent on the next $8,000 (maximum credit of $2,200). The credit applies to solar and geothermal energy property to heat, cool or supply hot water to a residence or wind energy for non-business residential property. The credit is available for expenditures through December 31, 1985.	No provision.	(a) The credit would be increased to 50 percent on the first $10,000 spent on renewable energy source property ($5,000 maximum credit) through December 31, 1999. (b) Equipment to generate electricity from solar, geothermal and wind energy systems would be included as eligible property.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
22. Credit for renewable source expenditures (continued)			(c) Costs of drilling an onsite geothermal well would qualify for the renewable energy source credit, if the taxpayer has not elected to deduct any portion of the expenditure as intangible drilling costs. (d) Renewable energy source property that is also a structural component would be eligible for the credit to the extent that the installed cost exceeds the cost of installing a unit without the renewable energy source. (See also item 44 for IDBs for renewable energy property.) ***Effective date.***—These amendments apply to expenditures made after September 30, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $86 million in 1980, $92 million in 1981, and $4,667 million in the period 1980–90. Fiscal year budget receipts would fall by $24 million in 1980.	
23. Residential passive solar tax credit	There are no energy conservation credits for new residences on which construction was substantially completed after April 20, 1977.	**No provision.**	**A credit, up to $2,000, would be available to a builder who constructs a new residence which meets the passive solar energy requirements. The credit would be determined by dividing the amount of the passive solar collection area by** the housing heating load. This value, in relation to the heating requirements, i.e., amount of degree-days in a year, in the appropriate one of 219 specified geographic areas, would determine the amount of the credit. The credit would be found in tables specially prepared for this purpose by the Secretary. (Floor amendment by Sen. Hart, adopted by a vote of 82–1.) (See also item 44 for IDBs for renewable energy property.) ***Effective date.***—The amendment would apply to taxable years beginning after September 30, 1980, and to residences of which construction is completed after September 30, 1980.	

C. BUSINESS ENERGY TAX INCENTIVES

Business Energy Investment Tax Credits

Item	Present Law	House Bill	Senate Amendment	Conference Action
23. Residential passive solar tax credit (continued)			***Revenue effect.***—Calendar year tax liabilities would be reduced by $18 million in 1981 and $122 million in 1985. Fiscal year budget receipts would be reduced by $7 million in 1981 and $94 million in 1985. The revenue loss 1979–86 will total $321 million.	
24. Solar or wind energy property	Equipment which uses solar or wind energy to generate electricity or to heat or cool a structure qualifies for a 10-percent refundable business energy credit through December 31, 1982.	No provision.	Increases the rate of the credit to 20 percent and extends the effective period through December 31, 1990. Makes solar energy equipment to provide process heat eligible for the credit. A floor amendment by Senator Magnuson (adopted by a vote of 81–14) repeals the present refundable feature of solar and wind energy credits. (See also item 44 for IDBs for renewable energy property.) ***Effective date.***—Generally effective after December 31, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $30 million in 1980, $57 million in 1981, $449 million in 1985 and $739 million in 1990; the revenue loss would be $4,251 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $11 million in 1980.	
25. Geothermal equipment	Equipment used to produce, distribute or use geothermal energy qualifies for a 10-percent nonrefundable energy credit through December 31, 1982.	No provision.	Increases the rate of the credit to 20 percent and extends the effective period through 1990. (See also item 44 for IDBs for renewable energy property.) ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $24 million in 1980, $28 million in 1981, $40 million in 1985 and $57 million in 1990; the revenue loss would be $442 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $11 million in 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
26. Ocean thermal equipment	No energy credit is allowed for ocean thermal equipment.	No provision.	Provides a 20-percent nonrefundable energy credit for equipment used to convert ocean thermal energy into electrical energy or another form of useful energy. (See also item 44 for IDBs for renewable energy property.) ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $3 million in 1984, and 1985, and $114 million in 1990; the revenue loss would be $311 million in the period 1980–1990. Fiscal year 1980 budget receipts would not be affected.	
27. Small scale hydroelectric facilities	No energy credits or other energy-related tax incentives are provided for hydroelectric facilities. Under the ADR system, these facilities generally qualify for a 50-year guideline life and a 1.5 percent annual repair allowance.	No provision.	*Energy credit.*—Provides a 10-percent nonrefundable energy credit for property used in the production of electricity by hydroelectric power, where the generating equipment has an installed capacity of 25 megawatts or less. Covers only installations at existing dams or at sites where no dam or water impoundment is involved. Qualifying property includes generating equipment, powerhouses, penstocks and fish passageways. In addition, costs of rehabilitating existing dams are covered. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $3 million in 1980, $5 million in 1981, $23 million in 1985, $419 million in 1990; the revenue loss would be $1,086 million for the period 1980–1990. Fiscal year budget receipts would be reduced by $1 million in 1980. *Depreciation.*—Liberalizes present law treatment for small scale hydroelectric facilities by providing a 20-year guideline life and a 4-percent annual repair allowance under the ADR system. In addition, these facilities will qualify for accelerated methods regardless of whether treated as public utility property. (See also item 43 for IDBs for hydroelectric facilities.)	

Item	Present Law	House Bill	Senate Amendment	Conference Action
			Effective date.—Effective after December 31, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by less than $1 million in 1980 and 1981, $2 million in 1985 and $38 million in 1990; the revenue loss would be $92 million in the period 1980–1990. Fiscal year budget receipts would be reduced by a negligible amount.	
28. Cogeneration equipment	No energy credits are provided for cogeneration equipment.	No provision	Provides a 10-percent nonrefundable energy credit through 1982 for equipment to produce steam, heat or other useful energy and also produce electricity, installed at an existing facility in connection with a boiler or burner which does not use oil or, if it uses natural gas, which was using natural gas on January 1, 1980. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $37 million in 1980, $62 million in 1981, $42 million in 1985; the revenue loss would be $427 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $17 million in 1980. Under a floor amendment by Senator Packwood (adopted by voice vote) use of up to 25 percent oil or natural gas (as a flame stabilizer, or back-up or start-up fuel) would be allowed. (See also items 44 and 45 for IDB amendments that relate to cogeneration.) Under a floor amendment by Senator Bradley (adopted by voice vote), use of oil would be allowed in major fuel burning installations if cogeneration results in a fuel saving of at least 30 percent. This amendment would be effective October 1, 1980. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $6 million in 1980, $11 million in 1981, $5 million in 1985; the revenue loss would be $65 million in the period 1980–1990. Fiscal year budget receipts would not be affected for 1980. ***Effective date.***—Effective generally after December 31, 1979.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
29. Specially defined energy property	Provides a 10-percent nonrefundable energy credit through 1982 for specified items of property used to increase energy efficiency in existing processes at existing facilities. In addition, the Secretary is authorized to specify additional items of qualifying property.	No provision.	Adds, as specified items of qualifying property, industrial heat pumps and energy-saving modifications to alumina electrolytic cells. In addition, the Secretarial authority to specify additional items of qualifying property is repealed. Under a floor amendment by Senator Cranston (adopted by a voice vote), a new provision is added to the bill to restore the Secretarial authority to specify additional items of qualifying property. Under a floor amendment by Senator Mathias (adopted by a voice vote), certain low-density infrared heating panels added to existing facilities are added as qualifying property. (See similar amendment, Item No. 21, in residential energy credits.) ***Effective date.***—Generally effective after December 31, 1979. Effective for modifications to alumina electrolytic cells after September 30, 1978. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $7 million in 1980, $10 million in 1981, $13 million in 1985; revenue loss would be $79 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $2 million in 1980.	
30. Petroleum coke and petroleum pitch	Facilities which use oil or natural gas fuels or feedstocks, including petroleum coke or pitch (byproducts of petroleum refining), are generally ineligible for energy credits. In addition, the regular investment credit and accelerated methods of depreciation are denied for certain boilers which use oil or natural gas or fuels (such as petroleum coke or petroleum pitch) derived from them.	No provision.	Allows the 10-percent energy investment credit for equipment to use petroleum coke or pitch as a fuel and allows the regular investment credit and accelerated methods of depreciation for boilers using these products as a fuel. A floor amendment by Senator Dole (adopted by a voice vote) allows the 10-percent energy investment credit as alternative energy property where petroleum coke or pitch is used as a feedstock in the production of chemicals and other products of a type generally derived from oil or natural gas. ***Effective date.***—Effective after December 31, 1979.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
30. Petroleum coke and petroleum pitch (continued)			***Revenue effect.***—Calendar year tax liabilities would be reduced by a negligable amount in 1980 and 1981, $28 million in 1985; the revenue loss would be $110 million in the period 1980-1990. Fiscal year 1980 budget receipts would not be affected.	
31. Coke and coke gas equipment	Equipment to produce coke or coke gas is not eligible for a energy credit.	No provision.	Under a floor amendment by Senator Heinz (adopted by a voice vote), the 10-percent energy credit, as alternative energy property, is provided for equipment to produce coke or coke gas. ***Effective date.***—Effective after date of enactment. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $37 million in 1980, $46 million in 1981, $23 million in 1985; the revenue loss would be $277 million in the period 1980–1990. Fiscal year 1980 budget receipts would not be affected.	
32. Biomass property	Boilers, burners and related pollution control and fuel handling equipment which use fuels (such as biomass) other than oil or natural gas are provided a 10-percent nonrefundable energy credit through 1982. Equipment which converts these alternate substances into synthetic solid, liquid, or gaseous fuels also qualifies for this credit.	No provision.	Increases the energy investment credit to 20 percent and extends the effective period through 1990 for equipment to burn nonwood biomass or convert nonwood biomass into a synthetic solid fuel. Also extends the present 10-percent energy investment credit through 1990 for equipment to produce a synthetic solid fuel from wood biomass, or to burn wood biomass or a synthetic solid fuel derived from wood biomass. ***Revenue effect.***—Calendar year liabilities would be reduced by $6 million in 1980, $10 million in 1981, $285 million in 1985 and $470 million in 1990; the revenue loss would be $2,761 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $3 million in 1980. Under a floor amendment by Senator McClure (adopted by a 74–16 vote), equipment for converting biomass into an alcohol fuel is provided a 20-percent credit from October 1, 1980 through September 30, 1984.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
32. Biomass property (continued)			***Revenue effect.***—Calendar year tax liabilities would be reduced by $2 million in 1980, $17 million in 1981, $7 million in 1985; the revenue loss would be $112 million in the period 1980–1990. Fiscal year budget receipts would not be affected for 1980. ***Effective date.***—Effective after December 31, 1979.	
33. Regular investment credit for energy property	Not all property which qualifies for the 10-percent energy credit is qualified property for the regular investment credit.	No provision.	Specifically makes property which is eligible for an energy credit also eligible for the regular credit. ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—The revenue loss for this item is included in the estimate for the type of property involved.	
34. Public utility property	Public utility property is excluded from eligibility for an energy credit.	No provision.	Public utility property which is solar, wind, geothermal, ocean thermal, small scale hydroelectric, biomass or cogeneration property will qualify for an energy credit. ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—The revenue loss for this item is included in the estimate for the type of property involved.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
35. Vanpooling	Employer-owned vans used for vanpooling purposes are eligible for a full 10-percent regular investment credit where they have useful lives of three years or more.	No provision.	Extends the full regular credit to vans, used for vanpooling, owned by employees or third parties, where the van has a useful life of three years or more. ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—This provision is not expected to have a significant revenue effect.	
36. Intercity buses	Buses do not qualify for an energy credit.	No provision.	Provides a 10-percent energy credit through 1985 for certain intercity buses to the extent the taxpayer's total operating seating capacity is increased over seating capacity for the preceding year. ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $5 million in 1980, $5 million in 1981, $7 million in 1985; the revenue loss would be $36 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $2 million in 1980.	
37. Fuel efficient aerodynamic equipment for trucks	No energy investment credit is provided for fuel-efficient equipment used in motor truck freight transportation.	No. provision.	Under a floor amendment by Senator Levin (adopted by a voice vote), a 10-percent energy credit is provided through 1982 for fuel-efficient wind deflectors and similar equipment added to existing trucks. ***Effective date.***—Effective after December 31, 1979. ***Revenue effect.***— Calendar year tax liabilities would be reduced by $3 million in 1980, and $4 million in 1981; the revenue loss would be $20 million in the period 1980–1990. Fiscal year budget receipts would be reduced by $1 million in 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
38. Affirmative commitments	The energy investment credits expire for property placed in service after December 31, 1982.	No provisions.	Extends the expiration date of the credit through 1990 for credits which otherwise expire at the end of 1982, for long-term projects where the taxpayer has made an affirmative commitment to acquire or construct qualifying property if: (1) before January 1, 1983, there is completion of all necessary engineering studies and application for all environmental and construction permits required by law in connection with commencement of construction for the project, and (2) before January 1, 1986, binding contracts exist for equipment estimated to cost at least 50 percent of the cost of all specially designed equipment needed as part of the project. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $448 million in 1983, $358 million in 1984, $202 million in 1985 and less than $1 million in 1990; the revenue loss would be $1,152 million in the period 1980–1990. Fiscal year 1980 budget receipts would not be affected.	
39. Tax credit for purchase of qualified electric motor vehicles	No energy tax credit is available for the purchase of any motor vehicle used on public streets, roads and highways. Motor vehicles used in a trade or business may be depreciated over the useful life of the vehicle. Operating and maintenance expenses may be deducted currently. The regular investment credit is allowed for motor vehicles used in a trade or business in accordance with the useful life provisions.	No provision.	Provides a 10-percent credit ($1,000 maximum) of cost for business and non-business purchases of new electric motor vehicles or costs to convert internal combustion engines to use electrical power. Covers battery-powered vehicles primarily for use on public streets. Taxpayer must be the original user. (Floor amendment by Sen. McClure, adopted by voice vote.) ***Effective date***—Available for purchases or conversions after December 31, 1979, and before January 1, 1986. ***Revenue effect.***—Calendar year tax liabilities would decline by $1 million in 1980 and 1981 and $14 million in 1985. Fiscal year budget receipts would decline by less than $1 million in 1980. For the period 1980–1990, the revenue loss would be $54 million.	

Alternative Energy Production Tax Credit

Item	Present Law	House Bill	Senate Amendment	Conference Action
40. Alternative energy production credit	There is no tax credit specifically for the production of energy. However, the following provisions apply to the indicated resources: *Oil Shale:* *Depletion.*—15 percent *ITC.*—20 percent *Price controls.*—Unregulated *Exploration expenditures.* — Deductible currently *Development expenditures.* — Deductible currently *Minimum tax.*—Excess depletion *Geopressured Gas:* *Depletion.*—10 percent [1] *ITC.*—20 percent *Price controls.*—Unregulated [2] *Exploration expenditures.* — Deductible currently *Minimum tax.*—Excess depletion and IDCs *Devonian Shale, Tight Sands and Coal Seam Gas:* *Depletion.*—22 percent (independents) [3] *ITC.*—10 percent *Price controls.*—Unregulated [2] *IDCs.*—Deductible currently *Minimum tax.*—Excess depletion and IDCs *Tar Sands:* *Depletion.*—14 percent *ITC.*—10 percent *Price controls.*—Unregulated *Exploration expenditures.* — Deductible currently *Development expenditures.* — Deductible currently *Minimum tax.*—Excess depletion	No provision.	Provides a tax credit of $3 per barrel of oil equivalent (5.8 million Btus), nontaxable and nonrefundable, adjusted for inflation. The credit for natural gas production is not adjusted for inflation. *Offset.*—Credit is reduced in proportion to tax-exempt financing and Federal grants. *Phase out.*—Phases out as the average refiner acquisition cost for imported oil rises from $23.50 to $29.50, adjusted for inflation. Tight sands gas credit phases out as the average price of high cost natural gas rises from $4.17 to $5.17 per mcf, adjusted for inflation; the credit for other natural gas phases out as the price rises from $4.05 to $5.08 per mcf, adjusted for inflation. (Floor amendment by Sens. Baucus, Hart and Glenn, adopted by voice vote.) Shale oil credit phases out as the average refiner acquisition cost for all oil rises from $23.50 to $29.50, adjusted for changes in the commercial structure index. (Floor amendment by Sen. Hart, adopted by voice vote.) *Eligible sources are:* (a) oil from shale; (b) oil from tar sands; (c) natural gas from tight sands geopressured brine, coal seams, or Devonian shale; (d) liquid, gaseous, or solid synthetic fuel (other than alcohol), including petrochemical feedstocks (floor amendment by Sen. Boren, adopted by voice vote), from coal liquefaction or gasification; (e) gas from biomass (including wood); (f) oceanic and terrestial crop byproducts and residues (floor amendment by Sen. McClure, adopted by voice vote); (g) steam from agricultural byproducts; and (h) qualifying processed wood.	

[1] This rate applies to gas produced from wells, the drilling of which began after September 30, 1978, and before January 1, 1984.

[2] Although sales of this gas is not subject to price controls, section 107 of the Natural Gas Policy Act of 1978 provides that it is not entitled to the market price unless deregulation is elected in lieu of any specifically applicable tax provision.

[3] The amount of gas eligible for percentage depletion is limited to the equivalent of 1,200 barrels per day in 1979, and is scheduled to phase down to 1,000 barrels per day in 1980 and subsequent years. The 22 percent rate is scheduled to phase down to 15 percent by 1984.

Item	Present Law	House Bill	Senate Amendment	Conference Action
40. Alternative energy production tax credit (continued)	*Coal:* *Depletion.*—10 percent *ITC.*—20 percent *Price controls.*—Unregulated *Exploration expenditures.* — Deductible currently *Development expenditures.*—Deductible currently *Minimum tax.*—Excess depletion *Capital gains.*—Available on royalties *Wood:* *Depletion.*—Cost *ITC.*—20 percent *Cost-sharing.* — Qualifying governmental payments are excludible from income. *Capital gains.*—Income from cutting timber treated as long-term capital gain. *Gasohol.*—Wood derived alcohol contained in gasohol is exempt from the 4 cents per gallon motor fuels excise tax. *Biomass:* *ITC.*—20 percent *Cost-sharing.*—Qualifying governmental payments are excludible from income. *Gasohol.*—Biomass derived alcohol contained in gasohol is exempt from the 4 cents per gallon motor fuels excise tax.		***Effective dates.***— (a) *General rule.*—Fuels produced after 1979 from facilities placed in service, or wells drilled, after September 30, 1979, and before 1990. (b) *Qualifying processed wood.*—Each facility would be allowed the credit for 3 years, without regard to the phase out, for fuels produced and sold after 1979 and before 1985, from facilities placed in service after April 20, 1977, and before 1983 (Floor amendment by Sens. Matsunaga and Nelson, adopted by voice vote). (c) *Biomass steam.*—Each facility would be allowed the credit for 3 years, without regard to the phaseout, for fuel produced and used after 1979, and before 1985, from facilities placed in service after September 30, 1978, and before October 1, 1983. The credit also would apply to production from plant expansions after September 30, 1978 (Floor amendment by Sens. Matsunaga and Nelson). (d) *Natural gas.*—Gas produced after September 30, 1980, from a property, or tight formation, which began production after the enactment of the windfall profit tax, and which is price regulated (Floor amendment by Sens. Baucus, Hart and Glenn). (e) *Termination.*—Credit terminates after year 2000. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $12 million in 1980, $29 million in 1981; the revenue loss would be $167 million for the period 1980–1990. Fiscal year 1980 budget receipts would be reduced by a negligible amount.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
41. Alcohol fuels				
a. Gasohol fuel tax exemption and tax credit	*General.*—A manufacturers excise tax of 4 cents a gallon is imposed on gasoline sold by the producer or importer. Also, a retailers excise tax of 4 cents a gallon is imposed on diesel and other special motor fuels sold for use (or used) in a highway vehicle. Exemptions from these taxes are provided for certain tax-exempt uses of fuel as well as for certain tax-exempt users. If tax-paid fuel is used for a tax-exempt use or by a tax-exempt user, a refund or credit generally may be obtained. *Excise tax exemption for gasohol.*—Under the Energy Tax Act of 1978, gasohol (i.e., fuel which is a blend of gasoline, or other motor fuel, and alcohol) that is at least 10 percent alcohol (other than alcohol derived from petroleum, natural gas, or coal) is exempted from the Federal excise taxes on motor fuels on or after January 1, 1979, and before October 1, 1984. Gasoline may be sold free of tax if it is to be used in the production of gasohol. No provision is made for refund of the tax on gasoline if tax-paid gasoline is mixed with alcohol to produce gasohol.	No provision.	*Excise tax exemption for gasohol.*—The amendment would extend the current excise tax exemption for fuels which are at least 10 percent alcohol until January 1, 2000 (and make certain technical amendments). *Credits.*—In all other cases where alcohol is used as a fuel (either blended or straight) of a type suitable for use in an internal combustion engine, a tax credit would be provided. In general, the credit would be available to the blender in the case of blended fuels and the user in the case of straight fuels, and the amount would be 40 cents per gallon for most alcohol of at least 190 proof and 30 cents per gallon for alcohol between 150 and 190 proof. For alcohol made from coal, a credit of 20 cents per gallon would be available to the producer. The credits would be nonrefundable and no advance payment would be provided. An amount equal to the amount of credit claimed by the taxpayer for the previous taxable year is included in the taxpayer's income for the taxable year. *Tax-paid gasoline.*—If a person purchases tax-paid gasoline which is used in the production of tax-exempt gasohol, the person may obtain a refundable income tax credit or a payment (if the amount is $200 or more during any of the first 3 quarters of the taxable year) of the taxes paid on such gasoline.	
b. Alcohol production regulation	*Regulation of alcohol production.*—Present law sets forth a detailed regulatory scheme for distilled spirits plants and persons involved in the production of alcohol. This regulatory scheme		*Regulation of alcohol production.*—The amendment provides for a special type of distilled spirits plant, that of the fuel producer. These plants may be established for the production of alcohol	

Item	Present Law	House Bill	Senate Amendment	Conference Action
41. Alcohol fuels (continued)	applies to the production of alcohol for industrial uses, as well as production for human consumption. The regulatory scheme requires the registration of a distillery and an investigation of the background of the individuals operating the distillery prior to its commencement of business. This scheme also requires approval of the details of plant construction, provides for supervision of production by employees of the Bureau of Alcohol, Tobacco and Firearms, and requires that a series of bonds be obtained by an operator of a distilled spirits plant in order to engage in the production of distilled spirits.		for fuel purposes only, and the distiller may remove the alcohol free of tax from these plants only after rendering it unfit for beverage purposes. In addition, the Secretary would be provided with broad authority to waive or reduce existing regulatory requirements for these new types of plants such as by allowing simplified application and recordkeeping procedures, and providing reduced control and bonding requirements for small distilled spirits plants which produce alcohol for fuel purposes. The amendment provides an expedited permit application procedure (and no bond) for small producers of alcohol for fuel use. This procedure requires Treasury action within 60 days of the submission of a completed application and provides for automatic approval of applications if Treasury action is delayed. A small producer means a plant that produces no more than 10,000 proof gallons of alcohol per year.	
c. *Reports and study of alcohol fuels*	*Reports.*—The Secretary of Energy is required to make annual reports to Congress from 1980 to 1984 on the use of alcohol in fuels.		*Study of imported alcohol.*—The amendment provides that, within 180 days after enactment, the Secretary of the Treasury is directed to recommend to Congress ways in which the excise tax exemption and the credit can be denied to fuels containing imported alcohol. *Reports.*—The annual reports on the use of alcohol in fuels are to be made from 1981 through 2000 and are to contain information on the effect of the revenue loss from the excise tax exemption on the Highway Trust Fund. (The above provisions (a., b., and c.) were included in a floor amendment by Senators Dole, Magnuson, Bayh, and 43 others, adopted by voice vote; this was a substitute for the Finance Committee provision.) ***Effective date.***—The income tax credits generally apply to taxable years beginning after September 30, 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
41. Alcohol fuels (continued)			The credit or refund of tax on tax-paid gasoline used in tax-exempt gasohol applies to gasoline purchased on or after January 1, 1979. The provisions relating to regulation of alcohol production will become effective on the first day of the first calendar year month which begins more than 60 days after the date of enactment. ***Revenue effect.***—The decrease in calendar year tax liabilities will be $2 million in 1980, $3 million in 1981, $197 million in 1985, $530 million in 1990, and $2,172 million in the period 1980–90. There would be no reduction in budget receipts in fiscal year 1980. (The estimates for calendar years 1984–1990 assume that the Federal excise taxes on gasoline, diesel fuel, and other motor fuels will continue at the present rate of 4 cents per gallon. Under present law, these taxes are scheduled to be reduced to 1½ cents per gallon on October 1, 1984, when the Highway Trust Fund is scheduled to expire under existing law.)	

Tax-Exempt Industrial Development Bonds

Item	Present Law	House Bill	Senate Amendment	Conference Action
42. Exemption for interest on IDBs for solid waste disposal facilities	Industrial development bonds used to provide solid waste disposal facilities are tax-exempt. In addition, bonds used to provide electric energy facilities are tax-exempt if the facility is owned and operated by State or local governments and no more than 25 percent of the output is sold to nonexempt persons. It is unclear under present law whether equipment used to produce steam qualifies as a solid waste disposal facility where the fuel burned to produce the steam is derived from solid waste. Where the Federal Government purchases all the electric energy from an electric energy facility, a bond used to finance the facility is treated as a U.S. obligation and therefore not tax-exempt.	No provision.	(a) *Solid waste disposal facilities:* Provides that solid waste disposal facilities include any facility which is used primarily to convert solid waste, or fuel derived from solid waste, into steam. Provides that interest on an obligation used to finance a solid waste disposal facility and a related electric energy facility is tax-exempt, notwithstanding the fact that the Federal Government will purchase all or part of the electricity and/or steam, provided that— (1) all the electric energy and steam produced from the two facilities is sold to a governmental unit and is not resold; (2) the facility is owned by and operated by or on behalf of a State or local government; and (3) substantially all the fuel used to operate the electric energy facility is solid waste or is derived from solid waste. (b) *Solid waste—alcohol facilities:* Provides that solid waste disposal facilities include any facility used primarily to convert solid waste into alcohol. (Floor amendment by Senator Nelson, adopted by voice vote.) (c) *Sales to nonexempt persons:* The Senate amendment also deletes requirement that all the electric energy and steam be sold to a governmental unit for obligations issued after September 30, 1980. (Floor amendment by Sen. Nelson, adopted by voice vote.) ***Effective date.***—Applies with respect to obligations issued after October 18, 1979. ***Revenue effect.***— (a) *Solid waste disposal facilities:* The decrease in calendar year liabilities would be $1 million in calendar year 1980, $3 million in 1981, $19 million in 1985, $53 million in 1990, and $241 million in the period 1980–90. In fiscal year 1980, the revenue loss would be negligible.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
42. Exemption for interest on IDBs for solid waste disposal facilities (continued)			(b) *Solid waste—alcohol facilities:* The decrease in calendar year liabilities is expected to be less than $1 million in 1981, $1 million in 1985, $1 million in 1990, and $7 million in the period 1980–1990. (c) *Sales to nonexempt persons:* The decrease in calendar year liabilities is expected to be $1 million in 1981, $2 million in 1985, $5 million in 1990, and $22 million in the period 1980–1990.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
43. Exemption for interest on IDBs for hydroelectric facilities	Industrial development bonds used to provide (1) facilities for the furnishing of water to members of the general public, and (2) facilities for the local furnishing of electric energy are tax-exempt. Facilities for the furnishing of water do not include electrical generation equipment. However, if the generation equipment supplies electric energy to a service area comprising no more than two contiguous counties or a city and one contiguous county, it will qualify as facilities for the local furnishing of electric energy. Tax-exempt financing is not, in general, available for electric transmission lines.	No provision.	(a) *Hydroelectric facilities:* Provides that tax-exempt industrial development bonds may be used to provide hydroelectric facilities at new and existing dams with an installed capacity of 25 megawatts or less. Provides that tax-exempt industrial development bonds may be used to provide hydroelectric facilities at new dams with an installed capacity of 25 megawatts or more. Hydroelectric facilities include electrical generation equipment, powerhouses, penstocks and fish passageways. Such facilities also include electric transmission lines. In addition, such facilities include dam structures where the primary function of the dam is the generation of hydroelectric power. (b) *Certain existing hydroelectric additions:* Provides that certain existing dams which will have an installed capacity of more than 25 megawatts will be treated as new dams. (Floor amendment by Sen. Packwood, adopted by voice vote.) (c) *Pumped storage facilities:* Provides that tax-exempt IDBs may be used to provide "pumped storage" facilities. (Floor amendment by Sen. Moynihan, adopted by voice vote.) (See also item 27 for energy tax credit and depreciation provisions for small scale hydroelectric facilities.) ***Effective date.***—Applies with respect to obligations issued after October 24, 1979. Sen. Packwood's amendment applies to obligations issued after September 30, 1980. ***Revenue effect.***— (a) *Hydroelectric facilities:* The decrease in calendar year liabilities is expected to be $3 million in calendar year 1980, $5 million in 1981, $25 million in 1985, $457 million in 1990, and $1,178 million in the period 1980–1990. The revenue loss is $2 million in fiscal year 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
43. Exemption for interest on IDBs for hydroelectric facilities (continued)			(b) *Certain existing hydroelectric additions:* The decrease in calendar year liabilities is expected to be less than $1 million in 1981, $8 million in 1985, $8 million in 1990, and $66 million in the period 1980–1990. (c) *Pumped storage facilities:* The decrease in calendar year liabilities is expected to be less than $1 million in calendar year 1980, $5 million in 1981, $113 million in 1985, $139 million in 1990, and $971 million in the period 1980–1990. The revenue loss is less than $1 million in fiscal year 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
44. Exemption for interest on IDBs for renewable energy property	Interest on State or local obligations is generally exempt from Federal tax, except when the obligations are industrial development bonds (i.e., the proceeds are to be used by a nonexempt person). However, IDBs used to provide exempt activity facilities are tax-exempt. Property used to produce energy from renewable energy resources is not treated as an exempt activity facility under present law. However, present law provides a residential energy credit for the installation of renewable energy source property (solar, geothermal, and wind property). The credit, per dwelling unit, equals 30 percent of the first $2,000 and 20 percent of expenditures from $2,000 to $10,000. Present law also provides a 10-percent refundable business energy credit for installation of energy property. Energy property includes solar, geothermal and wind property used to generate electricity.	No provision.	Interest on IDBs used to provide renewable energy property would be exempt from Federal tax where two requirements are satisfied: (1) the obligations are general obligations of a State, and (2) the authority for issuance of the obligations requires that taxes be levied in sufficient amount to provide for payment of principal and interest on the obligations. Renewable energy property is defined as any property used to produce energy (including heat, electricity, and substitute fuels) from renewable energy sources (such as, wind, waste heat or water). (Floor amendment by Sen. Packwood; adopted by voice vote.) (See also items 22 and 23 for residential energy tax credits and items 24, 25, 26, 27, and 28 for business energy tax credits related to renewable energy sources.) ***Effective date.***—Applies to obligations issued after the date of enactment. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $1 million in 1980, $1 million in 1981, $8 million in 1985 and $9 million in 1990; the revenue loss would be $66 million in the period 1980–1990. Fiscal year budget receipts would be reduced by less than $1 million in 1980.	
45. Exemption for interest on IDBs for cogeneration property	Interest on State or local obligations is generally exempt from Federal tax, except when the obligations are industrial development bonds (i.e., the proceeds are to be used by a nonexempt person). However, IDBs used to provide exempt activity facilities are tax-exempt. Property used for the cogeneration of electric energy and steam or heat is not treated as an exempt activity facility under present law.	No provision.	Provides that tax exempt industrial development bonds may be used to provide equipment and facilities the primary purpose of which is the cogeneration of electric energy and steam or heat for industrial, agricultural, commercial or space heating purposes. The provision applies to the retrofitting of old systems and for the installation of new systems. (Floor amendment by Sen. Durenberger; adopted by voice vote.) (See also item 28 for energy tax credit for cogeneration equipment.) ***Effective date.***—Applies to obligations issued after September 30, 1980.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
45. Exemption for interest on IDBs for cogeneration property (continued)			***Revenue effect.***—Calendar year tax liabilities would be reduced by $1 million in 1981, $5 million in 1985, and $16 million in 1990; the revenue loss would be $77 million in the period 1980–1990. (This estimate assumes that only property eligible for the energy credit will be allowed to issue IDBs.)	

Other Business Energy Tax Incentives

Item	Present Law	House Bill	Senate Amendment	Conference Action
46. Tertiary injectants	Business expenses for intangible drilling costs (IDC's) generally are deductible currently. Expenditures for items with a useful life over one year generally must be capitalized and recouped through depreciation or amortization.	No provision.	Expenditures for nonhydrocarbon tertiary injectants would be deductible when the item was injected. ***Effective date.***—Effective for expenditures deducted for injectants after December 31, 1979. ***Revenue effect.***—Reduces calendar year tax liabilities by $13 million in 1980, $10 million in 1981, $5 million in 1985, and by $79 million for 1980–1990. Fiscal year 1980 budget receipts would be reduced by $5 million.	
47. Credit to public utilities suffering reduced revenues attributable to certain federally funded residential energy efficiency programs	The Energy Tax Act of 1978 provides a 15-percent residential energy tax credit on the first $2,000 of expenditures through 1985 for the installation of insulation and other energy conservation items. The National Energy Conservation Policy Act of 1978 requires that under State or Federal programs utilities offer residential energy audits to their customers and provides weatherization grants up to $800 for lower income families and GNMA financing for energy conservation and solar energy installations in 1 to 4 unit residences. Title IV of S. 932 (now in conference), as passed by the Senate, provides for several programs designed to improve residential energy efficiency. With respect to utilities, sec. 433 of the bill would require the Secretary of Energy to encourage authorities in each State to establish prototype residential energy efficiency programs, in which utilities are encouraged to participate. To meet obligations incurred under the program, the Secretary may require (after consultation with State regulatory authorities) public utilities in the program to make periodic payments not to exceed the annual value of savings realized as a result of energy saved. Up to $400 million would be authorized for a fund from which grants under the program may be made, if payments from utilities are not sufficient for these purposes.	No provision.	A tax credit would be available to public utility companies participating in a federally contracted residential energy efficiency program where the utility could reasonably demonstrate that, because of the adoption of residential energy efficiency measures, it has suffered a net revenue loss. The amount of the credit could not exceed (1) the amount of revenue loss that would cause a decline in the rate of return, or (2) the tax liability after taking other tax credits in the taxable year. ***Effective date.***—Taxable years beginning after December 31, 1979. ***Revenue effect.***—Negligible.	

D. LOWER INCOME ENERGY ASSISTANCE

Item	Present Law	House Bill	Senate Amendment	Conference Action
48. Low-income energy assistance	The FY 1980 continuing resolutions (P.L. 96–86 and P.L. 96–123) and the FY 1980 Interior appropriations legislation (P.L. 96–126), coupled with authority contained in section 222(a)(5) of the Economic Opportunity Act, provide for a three-part, $1.6 billion Federal program of energy cost assistance to low-income households in FY 1980.	No provisions.	The Senate substitute authorizes, for fiscal years 1981 and 1982 (with an automatic extension for 1983, unless rescinded by a vote of either House) a program of block grants to the States to provide assistance to lower-income families for heating and cooling costs.	
a. *Funding level*	(1) *SSI recipients:* $400 million (2) *Block grants:* $800 million (3) *Crisis assistance:* $400 million		The amount authorized is $3.025 billion for fiscal year 1981 and $4.025 billion for fiscal years 1982 and 1983.	
b. Eligible households	(1) *SSI recipients:* Recipients of Supplemental Security Income (2) *Block grants:* No restriction (3) *Crisis assistance:* Households who receive SSI or whose income is less than 125 percent of the poverty line		Eligibility is restricted to households who have income less than the Bureau of Labor Statistics lower living standard. The BLS lower living standard, which is currently used in various eligibility determinations under the CETA program, is adjusted by family size and geographic location. The national average amount for a 4 person family for 1979 is $11,600. In addition, States may give assistance, regardless of income, to households which receive food stamps, AFDC, needs-tested veterans' pensions, or SSI, except for SSI recipients who live in another household and whose benefits are therefore reduced, SSI children living with non-SSI parents, and SSI recipients living in Medicaid institutions.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
48. Low-income energy assistance (continued) *c. Allotments to States*	(1) *SSI recipients:* One-third of the funds are distributed according to a State's number of SSI recipients (relative to the total for all States), one-third according to heating degree days squared weighted by households below 125 percent of the poverty line, and one-third according to the State's 1978 to 1979 change in home heating expenditures. (2) *Block grants:* Half of the funds are allocated according to each State's share of heating degree days squared weighted by households below 125 percent of the poverty line and the other half of the funds are allocated according to the State's 1978 to 1979 change in home heating expenditures. (3) *Crisis assistance:* $204 million is distributed under a formula under which half the funds are allocated according to heating degree days and the other half according to the 1978–79 change in residential energy expenditures. $150 million is allocated according to the formula described in (2) above. $46 million is reserved for administrative costs, special emergencies, and direct grants for aid to Indians and migrants.		Ninety-five percent of the total amount appropriated is allotted by various formulas to the 50 States and the District of Columbia. The basic formula allots half of the funds according to a State's aggregate residential energy expenditure (relative to the total for all States), and half according to heating degree days squared, weighted by number of households below the BLS lower living standard. However, the allotment of any State otherwise entitled to less than $100 million would be increased by an amount necessary to provide at least $120 per year to each AFDC, SSI, and food stamp household in the State. Further, no State would receive less than the lower of the amounts it would have received under either of two alternative formulas. Increases in allotments which result from either the minimum or from the alternative formulas would result in pro rata reductions in the allotments of other States, except that up to $25 million is authorized to meet the additional costs resulting from the application of the minimum benefit provision to certain states. The remaining five percent of the total amount appropriated is reserved for the territories, the Community Service Administration's crisis intervention program ($100 million), and matching incentive grants to States for State initiatives under this program.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
48. Low-income energy assistance (continued) *d. State plan requirements*	(1) *SSI recipients:* One-time payments are made by HEW directly to SSI recipients. Payment levels are determined by dividing the State's SSI recipient population into the State's allocation. However, payments to SSI couples are to be 1.5 times the payments to single households, and no payments can be more than $250. SSI recipients in medicaid institutions are not eligible for these payments. (2) *Block grants:* States would have various options: 1. Standardized payments may be given to all AFDC households; 2. Standardized payments may be given to all AFDC, food stamp and general assistance households; 3. Funds may be transferred to the crisis assistance program (below); or 4. Funds may be used under a State-devised plan, subject to HEW approval. Under such a plan, priority would be given to households experiencing significant increases in heating costs, and renters would be required to be treated equitably. (3) *Crisis assistance:* Each State is required to submit an energy assistance plan, which is subject to approval by the Community Services Administration. Households must meet State-established requirements for an "energy-related crisis or emergency" in order to be eligible for assistance. Benefits may be in cash or in kind; benefits may be provided directly to households or through fuel suppliers.		Each State would be required to submit an energy assistance plan, which would be subject to approval by the Secretary of Health, Education and Welfare. The following would be among the provisions allowed or required under an approved State plan: 1. Residential energy assistance could be given directly to eligible households, in the form of either cash or coupons; to suppliers of energy to these households, in either cash or State tax credits; and to operators of subsidized housing projects. Renters and owners would be treated equitably. 2. Priority generally would be given to the lowest-income households, to the aged and disabled, and to those with the largest energy costs in relation to their income. 3. The amount of assistance could vary within the State according to such factors as type of fuel used and degree days in different locations. 4. Energy suppliers who participate in providing assistance would have to agree to various conditions including notice and delay requirements before shutting off service to eligible households. These notice and delay requirements would not apply to small suppliers. 5. States would be required to provide 50 percent of administrative cost from non-Federal sources. Total administrative costs, other than under exceptional circumstances, would be limited to 10 percent of program costs (i.e., 5 percent Federal and 5 percent non-Federal).	

Item	Present Law	House Bill	Senate Amendment	Conference Action
48. Low-income energy assistance (continued)			6. Plans would be required to provide for referral, coordination, outreach, monitoring and auditing. 7. States would be required to maintain existing levels of public assistance benefits, except that assistance under this program could replace any public assistance increase made solely to provide energy assistance. 8. Any assets test used for eligibility determination could not count cars, personal belongings, and primary residences. 9. States could reserve up to three percent of funds for emergencies. 10. Grants specifically to meet the rising costs of cooling are allowed whenever the cooling is medically necessary.	
e. Disregard provisions	Any assistance may not be counted as income or resources under any Federal, State or local program of assistance or taxation.		1. Any assistance provided under this Act could not be counted as income or resources under any Federal, State or local program of assistance or taxation. 2. The Food Stamp Act would be amended to provide that any increase in State public assistance intended primarily to meet the increased cost of home energy would not be counted as income in the Food Stamp program.	
49. Tax credit for users of residential energy	There is no tax provision in present law dealing with residential heating costs.	No provision.	Provides a nonrefundable tax credit for 1979, 1980, and 1981 equal to a percentage of the amount spent during the year for heating a principal residence in the United States. The percentage, called the "relative energy price percentage" (REPP), is different for each heating source and is determined by the Treasury as follows: First, for each heating source, determine the amount by which its price exceeds what the price would have been had it increased at the overall rate of inflation since 1978, expressed as a percentage of the current	

Item	Present Law	House Bill	Senate Amendment	Conference Action
49. Tax credit for users of residential energy (continued)			price. Second, multiply this figure by 25 percent to determine the REPP for each heating source. Wood is specifically eligible for the credit. (Floor amendment by Senator Durkin, adopted by voice vote.) The credit is subject to a minimum of $30 per household ($20 in 1979). The maximum amount of the credit is $200 per household. The maximum is reduced by 10 cents for each dollar by which adjusted gross income exceeds $20,000 ($18,000 for 1979), so that no credit is allowed for taxpayers with incomes of $22,000 or more ($20,000 or more in 1979). For each household, the credit is allowed to only one person, the individual who furnishes the largest portion of household expenses. This person will be allowed the credit for all heating expenses of the household, whether or not he or she actually paid for these expenses. In the case of a dwelling unit the heating costs of which are not separable from the cost of using energy for other purposes, such as cooling, cooking, or lighting, the Treasury is to determine the portion of the energy cost which is properly allocable to heating, taking into account regional differences in climate and heating costs. Renters who do not pay separately for heating compute their credit as a percentage of their rent. A renter's credit percentage is the Treasury's estimate of the percentage of rent used by landlords to purchase heating energy, taking into account regional differences in climate and heating costs, multiplied by the REPP for the energy source used to heat the taxpayer's rental unit. ***Effective date.***—Available for taxable years beginning after December 31, 1978, and before January 1, 1982. ***Revenue effect.***—It is estimated that this provision will reduce calendar year tax liability by $947 million in 1979, $1,901 million in 1980, and $1,997 million in 1981; fiscal year 1980 budget receipts will be reduced by $1,232 million.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
50. Establishment of trust fund	*Social Security Trust Fund.*—Social security benefits are financed through payroll taxes that are deposited in a trust fund. At the start of 1981, the social security payroll tax rate will rise from 6.13 to 6.65 percent each for employers and employees, and the wage base for the tax will rise to $29,700. These increases in payroll tax rates and wage base alone will increase total budget receipts by $16.6 billion in calendar year 1981 and will increase trust fund receipts by $18.7 billion. The general funds of the Treasury are not used generally to finance social security benefit payments.	*Energy Trust Fund.*—Receipts from the windfall profit tax would be deposited in an Energy Trust Fund from which expenditures would be made in accordance with authorization and appropriation acts.	*Taxpayer Trust Fund.*—The Taxpayer Trust Fund would receive deposits from the general funds that would equal the increased income tax receipts attributable to the decontrol of oil prices. The deposits would be limited to the amount needed to offset for 1981 the increase in social security taxes scheduled for that year. Establishment of the Taxpayer Trust Fund would assure that adequate revenues have been set aside for whatever action Congress would enact for 1981. ***Effective date.***—Date of enactment.	
51. Reservation of windfall profit tax revenues for certain railroad freight transporation uses	Under sec. 505 of the Railroad Revitalization and Regulatory Reform Act of 1976, $600 million was made available to railroads through a redeemable preferred share program for rehabilitation of railroad rights-of-way.	No provision.	From the receipts of the windfall profit tax through September 30, 1980, the Secretary of the Treasury shall reserve $1 billion, until Congress authorizes or appropriates funds for improvements in the domestic railroad system, to be apportioned— (1) not less than $600 million for freight railroad rehabilitation, improvements and acquisition financing, (2) not less than $60 million to be allocated and administered with regard to State rail freight assistance programs, and (3) not less than $340 million for passenger rail rehabilitation, operating assistance and improvements financing. ***Effective date.***—Date of enactment.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
52. Repeal of carryover basis provisions	The basis of property passing or acquired from a decedent dying after December 31, 1979, is to be "carried over" from the decedent, with certain adjustments, to the estate or beneficiaries for purposes of determining gain or loss on sales and exchanges by the estate or beneficiaries.	No provision.	Carryover basis is repealed. Property passing from or acquired from a decedent will continue to have a basis equal to its estate tax value. With respect to property passing or acquired from decedents dying after 1976 and before November 7, 1978, (the date after the date of enactment of the Revenue Act of 1978), the carryover basis provisions may be elected by the executor of an estate for all property of the decedent. *Effective date.*—Applies in respect of estates of decedents dying after December 31, 1976. *Revenue effect.*—Reduces calendar year tax liability by $36 million in 1981, $95 million in 1982, $330 million in 1985, $950 million in 1990, and $4,302 million in 1980–90. The loss in fiscal years 1980 and 1981 is negligible.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
53. Exclusion of interest and dividends from gross income	Interest income is included in gross income. No special deductions, exclusions or credit are available to reduce the rate of taxation on this form of income. When a savings institution uses the term dividends to describe the income earned on a savings deposit, the income is considered as interest for tax purposes. Gross income does not include up to $100 ($200 on a joint return) in dividends received by individuals from domestic corporations.	No provision.	Provides an exemption to individuals of $201 ($400 on a joint return) from gross income from dividends received from domestic corporations and interest received from domestic sources. Interest from a domestic source for the purposes of this bill would include (1) interest or dividends received from a deposit in a banking or thrift institution that is insured and supervised or regulated under Federal or State law or protected and guaranteed under State law; (2) interest received from financial institutions and financial intermediaries (including regulated investment companies); (3) interest received on obligations in registered form that were issued by a domestic corporation; and (4) interest (that would otherwise be taxable) received from a governmental unit or agency. The forms of obligations that would bear interest which would for the exclusion would include interest-bearing bank deposits, certificates or notes of deposit, commercial paper, bills, notes and bonds. The obligations also would include certificates of investment issued under regulations of State securities law. (Floor amendment by Sen. Bentsen and others, adopted by voice vote.) ***Effective date.***—The amendment would apply in taxable years that begin after December 31, 1980. ***Revenue effect.***—Calendar year tax liabilities would be reduced by $2,092 million in 1981, $2,208 million in 1982, $2,592 million in 1985. Fiscal year budget receipts would decline by $314 million in 1981, $2,275 million in 1982 and $2,508 million in 1985. Tax liabilities would be reduced by $26.941 million in the period 1981–1990. (These estimates were made with the assumption that the exclusion on a single return would be $200.)	

Item	Present Law	House Bill	Senate Amendment	Price Controls
54. Involuntary liquidation of LIFO inventory	LIFO inventory profits (excess of cost of cost of FIFO inventory over cost of LIFO inventory) must be recognized when LIFO inventory is sold, even if sale is due to conditions beyond taxpayer's control.	No provision.	LIFO inventory profits will not be recognized if inventory is sold and not currently replaced because of DOE regulations, governmental request or interruption of foreign trade and the taxpayer replaces the inventory within three years. (Floor amendment by Sen. Stevens, adopted by voice vote.) ***Effective date.***—Effective for tax years ending after October 31, 1979. ***Revenue effect.***—Revenue loss of $85 million in each of the fiscal years 1982 and 1983 and $80 million in 1984, which are attributable to involuntary liquidations occurring in calendar year 1980. (These estimates are based on the assumption that the Secretary will invoke this provision for disruptions of oil shipments during 1980.)	
55. Recognition of inventory profits on certain liquidations	On certain liquidations of corporations the LIFO inventory profit (excess of cost of FIFO inventory over cost of LIFO inventory) is permanently eliminated.	No provision.	On corporate liquidations (other than those where adjusted basis of property is determined under section 334(b)(1)) the LIFO inventory profit is recognized notwithstanding other applicable nonrecognition provisions. ***Effective date.***—Effective for plans of liquidation adopted after date of enactment. ***Revenue effect.***—Revenue gain for fiscal year 1980 of $18 million and a revenue gain for calendar year 1980 of $40 million. In each fiscal and calendar year thereafter, there will be a revenue gain of $40 million. (These estimates are based on information obtained from a selected number of cases known to the Treasury and the figures are intended to provide representative averages during the forecast period.)	

Item	Present Law	House Bill	Senate Amendment	Conference Action
56. Oil imports	Section 232(b) of the Trade Expansion Act of 1962 allows the President to restrict oil imports.	No provision.	Amends Energy Production and Conservation Act (EPCA) to grant Congress the power to disapprove, by joint resolution, any presidential rule establishing oil import fees, duties, or tariffs, or setting import quotas on crude oil, residual fuel oil, or refined petroleum products. Congress would have 30 days after the submission of any such rule to disapprove it by a joint resolution, which could be vetoed (subject to a Congressional override). (Floor amendment by Sen. Johnston, adopted by voice vote.)	
57. Oil import information report	Under the DOE Reorganization Act, the Energy Information Administration of DOE may require certain energy companies to file reports pertaining to their businesses.	No provision.	Requires monthly reports to be filed with the Energy Information Administration of DOE by any person who imported 200,000 barrels in the same quarter of the prior year. The reports would have to contain information relating to the person's worldwide sales and imports. (Floor amendment by Sen. Bumpers, adopted by voice vote.)	
58. Report by National Academy of Sciences on national energy research and development	No. provision.	No. provision.	The Secretary of Energy shall enter into an agreement with the National Academy of Sciences for an annual review of Department of Energy research and development programs for fiscal years 1980–1989. Review areas are to be selected for relevance to alternative energy systems and relevance to research and development opportunities under Energy Department programs. Emphasis is to be given research in nonnuclear areas and identification of new energy sources or methods. First annual report is to be completed by the end of fiscal year 1980. (Floor amendment by Sen. Glenn, adopted by voice vote.)	

II. COMPARATIVE REVENUE EFFECTS

A.—Summary Comparison of Estimated Revenue Effects of House and Senate Versions of H.R. 3919, Calendar Years 1979–1990

[In millions of dollars]

Item	Calendar year liabilities												Total 1979–1990
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
House bill:													
Windfall profit tax	59 [1]	7,986	16,202	20,673	22,163	23,868	26,093	27,941	29,740	31,654	33,994	36,449	276,821
Senate amendment:													
Windfall profit tax	11 [1]	6,312	13,343	17,070	17,430	17,608	17,706	17,554	17,626	17,482	17,700	17,984	177,827
Residential energy incentives	−83	−422	−530	−657	−667	−819	−1,027	−600	−719	−867	−1,034	−1,243	−8,668
Business energy incentives		−197	−420	−566	−1,461	−1,560	−1,617	−1,669	−1,844	−2,143	−2,519	−3,000	−17,002 [4]
Home heating credit	−947	−1,901	−1,997										−4,845
Repeal of carryover basis		(2)	−36	−95	−163	−238	−330	−440	−560	−680	−810	−950	−4,302
Interest and dividend exclusion [3]			−2,902	−2,208	−2,329	−2,457	−2,592	−2,735	−2,885	−3,044	−3,211	−3,388	−26,941
Total, Senate amendment	−1,901	3,792	8,268	13,544	12,810	12,534	12,140	12,110	11,618	10,748	10,126	9,403	116,069 [4]

[1] The windfall profit tax gains a small amount of revenue in 1979 because the estimates assume that it reduces intangible drilling deductions in that year.
[2] Less than $1 million.
[3] This estimate assumes a $200 exclusion, not $201.
[4] These totals include $6 million revenue effect from 1978 liabilities.

B.—Comparison of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax in H.R. 3919 as Passed by the House and by the Senate, Calendar Years 1980–1990

[In millions of dollars]

Item	Calendar year liabilities											Total 1979–1990 [1]
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
Net gain from windfall profit tax:												
Under the House bill	**7,986**	**16,202**	**20,673**	**22,163**	**23,868**	**26,093**	**27,941**	**29,740**	**31,654**	**33,994**	**36,449**	**276,821**
(1) No denial of percentage depletion	−397	−803	−975	−963	−1,007	−1,138	−1,262	−1,381	−1,520	−1,667	−1,818	−12,931
(2) Exemption for 1st 1,000 barrels per day of independent producer and certain royalty oil production	−446	−2,376	−2,948	−3,259	−3,582	−3,939	−4,298	−4,708	−5,196	−5,703	−6,222	−42,675
(3) 75-percent rate on tier 1 oil	86	452	613	315	33							1,498
(4) 75-percent rate on tier 2 oil	634	1,560	1,932	2,078	2,148	1,935	1,697	1,496	1,301	1,122	958	16,861
(5) Reduction of tier 2 base by 25 cents		145	141	146	147	128	109	111	115	115	112	1,268
(6) Removal of phase-up of tier 2 base							4	126	265	361	419	1,176
(7) Including certain Alaskan oil in tier 2	−492	−211	−110	−3	111	232	335	430	474	539	591	1,897
(8) Tax new oil at 10 percent on $20 base	−524	−790	−1,248	−1,836	−2,544	−3,409	−4,287	−5,269	−6,432	−7,596	−8,728	−42,707
(9) Tax incremental tertiary oil at 20 percent on $17 base	−204	−347	−567	−881	−1,314	−1,935	−2,404	−2,615	−2,849	−3,103	−3,381	−19,599
(10) Tax heavy oil at 20 percent on $17 base	−232	−198	−188	−163	−167	−190	−216	−243	−274	−309	−347	−2,531
(11) Including high water-cut oil in tier 2	−30	−94	−117	−60	−7							−307
(12) Including Cook Inlet oil in tier 2	−4	−33	−41	−22	−2							−103
(13) Exemption for oil income of Indian tribes	−17	−51	−62	−58	−54	−50	−46	−43	−40	−37	−35	−494
(14) Exemption for oil income of charitable schools and hospitals	−7	−20	−24	−23	−21	−21	−19	−18	−16	−16	−14	−199
(15) Exemption for front-end financing oil released to finance CO_2 and chemical surfactant incremental tertiary	−39	−86										−125
(16) Expansion of marginal oil definition	−2	−7	−9	−4	−1							−22
Under the Senate amendment	**6,312**	**13,343**	**17,070**	**17,430**	**17,608**	**17,706**	**17,554**	**17,626**	**17,482**	**17,700**	**17,984**	**177,827**

[1] The House and the Senate bills would raise a small amount of income tax revenue in 1979 because the estimates assume that the tax on newly discovered oil reduces intangible drilling deductions in that year.

NOTE: Details may not add to totals because of rounding.

C.—Estimated Revenue Effects of Residential Energy Tax Credits Contained in H.R. 3919 as Passed by the Senate, Calendar Years 1979-1990

[In millions of dollars]

Item [1]	Calendar year liabilities												
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Total 1979-90
Conservation credits:													
Credit for heat pumps	−7	−32	−37	−51	−66	−88	−123						−404
Credit to landlords (10 percent)	−14	−51	−54	−57	−61	−67	−78						−382
Eliminate principal residence requirement	−1	−5	−6	−6	−6	−7	−8						−39
Credit for airtight wood stoves	−22	−57	−53	−57									−189
Credit for woodburning furnaces	−5	−10	−10	−10									−35
Credit for coal furnaces (25 percent)	−7	−32	−42	−52									−133
Credit for replacement oil and gas furnaces and boilers	−9	−136	−186	−229	−274	−325	−402						−1, 561
Credit for radiant heating panels	(2)	−1	−2	−2	−4	−5	−6						−20
Solar, wind and geothermal credits:													
Raise credit rate to 50 percent and extend to the year 2000	−14	−72	−92	−119	−150	−181	−217	−514	−616	−740	−887	−1, 065	−4, 667
Credit to landlords (40 percent)	−4	−21	−28	−36	−45	−55	−66	−79	−95	−117	−136	−164	−846
Eliminate principal residence requirement	(2)	−2	−2	−3	−4	−5	−5	−7	−8	−10	−11	−14	−71
Passive solar tax credit		−3	−18	−35	−57	−86	−122						−321
Total	**−83**	**−422**	**−530**	**−657**	**−667**	**−819**	**−1, 027**	**−600**	**−719**	**−867**	**−1, 034**	**−1, 243**	**−8, 668**

[1] The table contains only items of the Senate bill which involve significant revenue changes.

[2] Less than $1 million.

D.—Estimated Revenue Effects of Business Energy Tax Incentives Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Passed by the Senate, Calendar Years 1980–90

[In millions of dollars]

Item	Calendar year liabilities											Total 1980–1990
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
1. ***Business energy investment credits:*** [1]												
Solar and wind property [2]	−30	−57	−94	−221	−344	−449	−495	−548	−605	−669	−739	−4, 251
Geothermal equipment	−24	−28	−31	−34	−37	−40	−43	−46	−49	−53	−57	−442
Ocean thermal equipment				(3)	−3	−3	−25	−30	−63	−73	−114	−311
Small-scale hydroelectric facilities:												
Energy credits	−3	−5	−9	−13	−17	−23	−45	−95	−173	−284	−419	−1, 086
ADR changes	(3)	(3)	−1	−1	−2	−2	−4	−7	−13	−24	−38	−92
Cogeneration equipment	−37	−62	−92	−97	−77	−42	−13	−6	−1	(3)		−427
Cogeneration equipment at major fuel burning installations	−6	−11	−15	−17	−11	−5	(5)					65
Modifications to alumina electrolytic cells	−1	−1	−1	−1	−1	−1	(3)					[7] −12
Industrial heat pumps	−5	−7	−9	−10	−8	−5	−1	−1	(2)			−46
Petroleum coke and pitch [4]	−43	−50	−56	−60	−58	−53	−52	−58	−63	−68	−74	−635
Biomass equipment	−6	−10	−15	−207	−249	−285	−327	−361	−398	−433	−470	−2, 761
Affirmative commitments			(5)	−448	−358	−202	−90	−42	−12	(5)	(3)	−1, 152
Truck aerodynamic equipment	−3	−4	−4	−4	−3	−2						−20
Electric motor vehicles	−1	−1	−2	−4	−8	−14	−24					−54
Alcohol liquids	−2	−17	−23	−30	−40	−7	−4	−2				−125
Intercity buses	−5	−5	−6	−6	−7	−7						36
Coke and coke ovens	−37	−46	−56	−59	−45	−23	−7	−3	−1			−277
Certain equipment for producing feesdtocks			(5)	−22	−29	−28	−22	−9	(3)			−110
Total, investment credits	**−203**	**−304**	**−414**	**−1, 234**	**−1, 297**	**−1, 191**	**−1, 152**	**−1, 208**	**−1, 378**	**−1, 604**	**−1, 911**	**−11, 902**
2. ***Alternative energy production credits:***												
Qualifying processed wood fuels	−6	−10	−23	−42	−44	−7	−2					−134
Steam from agricultural by-products	−1	−2	−2	−3	−3	(3)						−11
Reference price changes	−4	−17	(3)									−21
Tight sands	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Indexation deflator change	−1	(3)										−1
Total, alternative energy production credits	**−12**	**−29**	**−25**	**−45**	**−47**	**−7**	**−2**					**−167**

See footnotes at end of table.

D.—Estimated Revenue Effects of Business Energy Tax Incentives Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Passed by the Senate, Calendar Years 1980–90,—Continued

[In millions of dollars]

Item	Calendar year liabilities											Total 1980–1990
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
3. ***Incentives for alcohol used in motor fuels:*** [8]												
New credit and changes in the excise tax exemption	−2	−3	−3	−5	−57	−197	−233	−282	−330	−379	−429	−1, 920
Credit for coal-based ethanol								−25	−51	−75	−101	−252
Total, incentives for alcohol used in motor fuels	**−2**	**−3**	**−3**	**−5**	**−57**	**−197**	**−233**	**−307**	**−381**	**−454**	**−530**	**−2, 172**
4. ***Deduction for tertiary injectants***	**−13**	**−10**	**−8**	**−7**	**−6**	**−5**	**−5**	**−6**	**−6**	**−6**	**−7**	**−79**
5. ***Industrial development bonds:***												
Hydroelectric facilities	−5	−19	−34	−54	−76	−100	−126	−163	−208	−274	−361	−1, 420
Solid waste disposal facilities:												
Change in eligible purchases	−1	−3	−5	−9	−14	−19	−24	−30	−37	−46	−53	−241
Saleable alcohol		(1)	(1)	(1)	−1	−1	−1	−1	−1	−1	−1	−7
Electricity saleable to private sector		(1)	(1)	−1	−1	−2	−2	−3	−4	−4	−5	−22
State renewable resource programs	−1	−1	−2	−4	−7	−8	−9	−9	−9	−9	−9	−67
Certain existing hydroelectric additions			−3	−7	−8	−8	−8	−8	−8	−8	−8	−66
Pumped storage		−5	−25	−52	−81	−113	−139	−139	−139	−139	−139	−971
Cogeneration projects		−1	−2	−3	−5	−6	−8	−10	−12	−14	−16	−77
6. ***Other provisions:***												
Involunatry liquidation of LIFO inventories [4]		−85	−85	−80								250
Taxing inventory profits at corporate liquidations [6]	40	40	40	40	40	40	40	40	40	40	40	440
Total, other provisions	**40**	**−45**	**−45**	**−40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**190**
Total, industrial development bonds	**−7**	**−29**	**−71**	**−130**	**−193**	**−257**	**−317**	**−363**	**−418**	**−495**	**−592**	**−2, 872**
Total, Business Tax Incentives	**−197**	**−420**	**−566**	**−1, 461**	**−1560**	**−1, 617**	**−1, 669**	**−1, 844**	**−2, 143**	**−2, 519**	**−3, 000**	**−17, 002** [7]

[1] Neither the regular investment credit changes nor the changes for eligible public utility property are listed as separate items but rather are included in the estimates for the type of property involved.

[2] This estimate assumes the incentive price set by the Federal Energy Regulatory Commission will be in excess of the credit phase-out range.

[3] Less than $1 million.

[4] These estimates are based on information obtained from a selected number of cases known to the Treasury and the figures are intended to provide representative averages during the forecast period.

[5] Less than $5 million.

[6] These estimates are based on the assumption that the Secretary will invoke this provision for disruptions of oil shipments during 1980.

[7] This total includes $6 million in calendar year liability reductions from 1978 and 1979.

[8] The estimates for calendar years 1984–1990 assume that the Federal excise taxes on gasoline, diesel fuel, and other motor fuels will continue at the present rate of 4 cents per gallon. Under present law, these taxes are scheduled to be reduced to 1½ cents per gallon on October 1, 1984, when the Highway Trust Fund is scheduled to expire.